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**Rothstein, Kass & Company, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

April 9, 1999

**THIS COPY TO BE  
RETAINED BY CLIENT**

Re: Genesis Capital Fund, L.P.  
(the "Partnership")  
42-1339803  
December 31, 1998

Dear Partner:

Attached is a copy of Schedule K-1, Form 1065 which lists your distributive share of the Partnership's taxable income (loss) for the year ended December 31, 1998. These amounts are to be reported on your 1998 Income Tax Returns.

In connection with the information included on the attached copy of Federal Schedule K-1, please note the following:

The Partnership has taken the position that it is engaged in the active conduct of a business as a trader in securities. The trading operation is not passive income and is not portfolio income for purposes of the passive activity loss rules (Temp. Reg. Section 1.469-1T(e)6; Section 1.469-2T(c)(3)(ii)(D)).

Each partner must individually determine whether or not he or she materially participated during 1998 in the operations of the Partnership, since this affects the presentation and placement of interest expense on your tax return. The Schedule K-1 has been prepared on the basis of a partner who does not materially participate in the operations of the Partnership. Limited partners generally do not materially participate in the trading activities of the Partnership. Accordingly, interest expense reported on line 14a should be reported by an "Individual" taxpayer on Form 4952 line 1 - investment interest expense. Any deductible interest expense should be entered on Schedule E, Part II column (i). For purposes of determining the investment interest expense limitation, the amounts shown on lines 1 and 7 will affect the computation of investment income.

A partner that materially participates in the trading operation of the Partnership, or a partner that is a "C" corporation, should combine the net ordinary income(loss) reported on line 1 with the interest expense reported on line 14a.

Exhibit "H"

The Schedule K-1 includes income and expenses from the Partnership's investments in other partnerships (pass-through entities). The Partnership has reported income and deductions in the same manner as those items were reported to the Partnership from the pass-through entities.

The information reported on the enclosed Schedule K-1 includes estimated information reported by two partnerships. The Partnership is a limited partner in these partnerships and therefore, has no authority with respect to tax reporting. These partnerships have not yet provided a Schedule K-1 to the Partnership. However, the general partner for each partnership has provided estimated amounts for the items to be reported on Schedule K-1. Each general partner has indicated that the estimates are materially correct. Therefore, these estimates were used in completing the enclosed Schedule K-1. If the amounts reported by either partnership on the Schedule K-1 are materially different than the estimated amounts that were included in the enclosed Schedule K-1, you will receive a revised Schedule K-1 from the Partnership. You should consult with your tax advisor regarding the use of estimated information in completing your income tax returns.

Your share of portfolio expenses are reflected on line 10. Such amount should be deducted by individual partners on Schedule A of Form 1040 on line 22 – Miscellaneous Deductions Subject to 2% Adjusted Gross Income Limitation. Non-individual partners should refer to the instructions accompanying their tax returns.

The qualifying dividends represent the amount of dividends from less than 20 percent owned domestic corporations eligible for the dividends received deduction under IRC Section 243(a). The balance of dividends are not eligible for the dividends received deduction.

If you are a tax-exempt entity and you have gross income from an unrelated trade or business of \$1,000 or more, you must file Form 990-T. The law is not entirely clear as to the proper way to determine income (loss) that is attributable to the use of leverage ("debt-financed income"). We have computed UBTI based on our interpretation of the law. Our computation of UBTI has been reflected on Line #25 of Schedule K-1.

Guaranteed payments do not constitute passive income. Guaranteed payments that represent interest on capital constitute investment income for purposes of the investment interest expense limitation.

If you are required to file a state income tax return, your share of interest income from obligations issued by the U.S. Government or its agencies and your share of expenses to carry such obligations are reported on line #25, of Schedule K-1.

If you have any questions, please feel free to contact Terence Meadowcroft at (212) 490-7700 or Frank Attalla at (973) 994-6666.

Very truly yours,

ROTHSTEIN, KASS & COMPANY, P.C.

SCHEDULE K-1  
(Form 1065)Department of the Treasury  
Internal Revenue Service

## Partner's Share of Income, Credits, Deductions, etc.

▶ See separate instructions.

OMB No.1545-0099

1998

For calendar year 1998 or tax year beginning

, 1998, and ending

, 19

Partner's identifying number ▶ 197-38-2295 Partner's name, address, and ZIP code Dr. William and Mrs. Patricia Steinbrink 1608 South Shore Drive Erie, PA 16505	Partnership's identifying number ▶ 42-1339803 Partnership's name, address, and ZIP code Genesis Capital Fund, L.P. 1661 Highway One Fairfield, IA 52556
A This partner is a <input type="checkbox"/> general partner <input checked="" type="checkbox"/> limited partner <input type="checkbox"/> limited liability company member B What type of entity is this partner? ▶ JOINT C Is this partner a <input checked="" type="checkbox"/> domestic or a <input type="checkbox"/> foreign partner? D Enter partner's percentage of: Profit sharing . . . . . % VAR % Loss sharing . . . . . % VAR % Ownership of capital . . . . . % 19.16 % E IRS Center where partnership filed return: KANSAS CITY, MO	F Partner's share of liabilities (see instructions): Nonrecourse . . . . . \$ _____ Qualified nonrecourse financing . . . \$ _____ Other . . . . . \$ _____ G Tax shelter registration number . ▶ _____ H Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2) . . . . . <input type="checkbox"/> I Check applicable boxes: (1) <input type="checkbox"/> Final K-1 (2) <input type="checkbox"/> Amended K-1

## J Analysis of partner's capital account:

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
6,042,037	0	1,543,740	( 700,000 )	6,885,777

  

(a) Distributive share item	(b) Amount	(c) 1040 filers enter the amount in column (b) on:
1 Ordinary income (loss) from trade or business activities . . . . .	175,039	See page 6 of Partner's Instruction for Schedule K-1 (Form 1065).
2 Net income (loss) from rental real estate activities . . . . .	2	
3 Net income (loss) from other rental activities . . . . .	3	
4 Portfolio income (loss):		Sch. B, Part I, line 1 Sch. B, Part II, line 5 Sch. E, Part I, line 4 Sch. D, line 5, col. (f) Sch. D, line 12, col. (g) Sch. D, line 12, col. (f) Enter on applicable line of your return. See page 6 of Partner's Instructions for Schedule K-1 (Form 1065). Enter on applicable line of your return.
a Interest . . . . .	22,534	
b Ordinary dividends . . . . .	831	
c Royalties . . . . .		
d Net short-term capital gain (loss) . . . . .	266,636	
e Net long-term capital gain (loss):		
(1) 28% rate gain (loss) . . . . .		
(2) Total for year . . . . .	(3,949)	
f Other portfolio income (loss) (attach schedule) . . . . .		
5 Guaranteed payments to partner . . . . .	0	
6 Net section 1231 gain (loss) (other than due to casualty or theft) . . . . .		
7 Other income (loss) (attach schedule) . . . . .	131,092	
8 Charitable contributions (see instructions) (attach schedule) . . . . .		Sch. A, line 15 or 16
9 Section 179 expense deduction . . . . .		See pages 7 and 8 of Partner's Instructions for Schedule K-1 (Form 1065).
10 Deductions related to portfolio income (attach schedule) . . . . .	52	
11 Other deductions (attach schedule) . . . . .		
12a Low-income housing credit:		Form 8586, line 5
(1) From section 42(j)(5) partnerships for property placed in service before 1990 . . . . .		
(2) Other than on line 12a(1) for property placed in service before 1990 . . . . .		
(3) From section 42(j)(5) partnerships for property placed in service after 1989 . . . . .		
(4) Other than on line 12a(3) for property placed in service after 1989 . . . . .		
b Qualified rehabilitation expenditures related to rental real estate activities . . . . .		See page 8 of Partner's Instructions for Schedule K-1 (Form 1065).
c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities . . . . .		
d Credits related to other rental activities . . . . .		
13 Other credits . . . . .		

Schedule K-1 (Form 1065) 1998

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(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Investment Interest	14a Interest expense on investment debts . . . . .	14a 202,004	Form 4952, line 1 See page 9 of Partner's Instructions for Schedule K-1 (Form 1065).
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f . . . . .	b(1) 23,365	
	(2) Investment expenses included on line 10 . . . . .	b(2) 52	
Self-employment	15a Net earnings (loss) from self-employment . . . . .	15a 0	Sch. SE, Section A or B See page 9 of Partner's Instructions for Schedule K-1 (Form 1065).
	b Gross farming or fishing income . . . . .	15b	
	c Gross nonfarm income . . . . .	15c	
Adjustments and Tax Preference Items	16a Depreciation adjustment on property placed in service after 1986 . . . . .	16a	See page 9 of Partner's Instructions for Schedule K-1 (Form 1065) and Instructions for Form 6251.
	b Adjusted gain or loss . . . . .	16b	
	c Depletion (other than oil and gas) . . . . .	16c	
	d (1) Gross income from oil, gas, and geothermal properties . . . . .	d(1)	
	(2) Deductions allocable to oil, gas, and geothermal properties . . . . .	d(2)	
e Other adjustments and tax preference items (attach schedule) . . . . .	16e		
Foreign Taxes	17a Type of Income ▶ DIVIDENDS		Form 1116, check boxes
	b Name of foreign country or possession ▶ VARIOUS		
	c Total gross income from sources outside the United States (attach schedule) . . . . .	17c 542	Form 1116, Part 1
	d Total applicable deductions and losses (attach schedule) . . . . .	17d	
	e Total foreign taxes (check one): <input checked="" type="checkbox"/> Paid <input type="checkbox"/> Accrued . . . . .	17e 68	Form 1116, Part II Form 1116, Part III
	f Reduction in taxes available for credit (attach schedule) . . . . .	17f	
	g Other foreign tax information (attach schedule) . . . . .	17g	See Instructions for Form 1116.
Other	18 Section 59(e)(2) expenditures: a Type ▶		See page 9 of Partner's Instructions for Schedule K-1 (Form 1065).
	b Amount . . . . .	18b	
	19 Tax-exempt interest income . . . . .	19	Form 1040, line 8b
	20 Other tax-exempt income . . . . .	20	See pages 9 and 10 of Partner's Instructions for Schedule K-1 (Form 1065).
	21 Nondeductible expenses . . . . .	21	
	22 Distributions of money (cash and marketable securities) . . . . .	22 700,000	
	23 Distributions of property other than money . . . . .	23	
24 Recapture of low-income housing credit:		Form 8611, line 8	
a From section 42(j)(5) partnerships . . . . .	24a		
b Other than on line 24a . . . . .	24b		
Supplemental Information	25 Supplemental information required to be reported separately to each partner (attach additional schedules if more space is needed):		
	See attached schedules		

**FORM 1065 - PARTNER'S SHARE OF INCOME AND DEDUCTIONS - 1998**  
**SCHEDULE K-1 SUPPLEMENTAL INFORMATION**

<b>Partner's ID No.</b> 197-38-2295	<b>Partnership's ID No.</b> 42-1339803
<b>Partner's name, address, and ZIP code</b> Dr. William and Mrs. Patricia Steinbrink 1608 South Shore Drive Erie, PA 16505	<b>Partnership's name, address, and ZIP code</b> Genesis Capital Fund, L.P. 1661 Highway One Fairfield, IA 52556
<b>Line 25 - Supplemental information required to be reported separately to each partner:</b>	

**Gain or Loss on Liquidation of Partnership Interest:**

You may have a gain or loss on your withdrawal from the Partnership if this is a final K-1 to you. Please consult your tax advisor.

**Item J, Column (c):**

Unrealized appreciation/(depreciation)	\$ 1,147,407
Timing differences	6,274
Taxable income (loss)	<u>390,059</u>
<b>Total</b>	<b>\$ <u>1,543,740</u></b>

**Line 1 - Ordinary income (loss) from trade or business activities:**

Income reported on line 1 is not passive income (loss) and is not portfolio income (loss) for purposes of the passive activity loss rules (Temp. Reg. Sec. 1.469-1T(e)(6); Sec. 1.469-2T(c)(3)(ii)(D)). The amount reported on line 1 should be entered by an "Individual" taxpayer on Schedule E, Part II as nonpassive.

**Line 7 - Other Income (loss):**

Net Short-Term Capital Gain (Loss)	\$ (292,893)
Net Long-Term Capital Gain (Loss), subject to 20% maximum rate	324,653
Section 1256 Net Gain (Loss)	392,126
Other income (loss)	<u>(292,794)</u>
<b>Total</b>	<b>\$ <u>131,092</u></b>

\* Taxpayers should report 1256 gain or loss on Form 6781

**Line 10 - Deductions related to Portfolio income:**

Administrative expenses	\$ <u>52</u>
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## SCHEDULE K-1 SUPPLEMENTAL INFORMATION

Partner's ID No. 197-38-2295	Partnership's ID No. 42-1339803
Partner's name, address, and ZIP code Dr. William and Mrs. Patricia Steinbrink 1608 South Shore Drive Erie, PA 16505	Partnership's name, address, and ZIP code Genesis Capital Fund, L.P. 1661 Highway One Fairfield, IA 52556
Line 25 - Supplemental information required to be reported separately to each partner (continued):	

## Line 14a - Interest expense on investment debts:

"Individual" partners that do not materially participate in the operations of the Partnership must report interest expense as investment interest expense on Form 4952, line 1. "Individual" partners that materially participate and "C" corporations should combine the amount on line 14a with the amount on line 1.

## Unrelated Business Taxable Income:

If you are a tax-exempt entity, your share of Unrelated Business Taxable Income (Loss) is reported below:

Ordinary Income (Loss):	\$	(15,008)
Short-Term Capital Gain (Loss):	\$	(93,149)
Long-Term Capital Gain (Loss), subject to 20% maximum rate:	\$	62,033

## Interest Income from U.S. Obligations:

Included in Line 1 is your share of interest income from U.S. Obligations:

\$	10,863
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## Dividends Qualifying for 70% Dividend Received Deduction:

Your share of dividends from domestic corporations, included in line 1, qualifying for 70% Dividend Received Deduction is as follows:

\$	336
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